

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2013

Docket No. ACR2013

PUBLIC REPRESENTATIVE INITIAL COMMENTS ON  
FY 2013 PERFORMANCE REPORT AND FY 2014 PERFORMANCE PLAN

Respectfully submitted,

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(March 10, 2014)

Pursuant to the Commission's Notice in this proceeding,<sup>1</sup> the Public Representative hereby submits Initial Comments on the Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan required by 39 U.S.C. §2804 and §2803, respectively. The Plan and Report are evaluated as part of the Postal Service's 2013 Annual Compliance Report (2013 ACR). 39 U.S.C. § 3653(d).<sup>2</sup> The Public Representative previously filed Comments and Reply Comments in this proceeding on other aspects of the 2013 Annual Compliance Report.<sup>3</sup>

I. INTRODUCTION

A. FY 2013 Comprehensive Statement on Postal Operations

The Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan are included with the Postal Service's Comprehensive Statement on Postal Operations (Comprehensive Statement) required by 39 U.S.C. 2401(e) which, together, are included in the Postal Service's 2013 Annual Report to Congress (Combined

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<sup>1</sup> Notice Regarding the Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan, January 17, 2014. Comments are due by March 10, 2014 and Reply Comments are due by March 20, 2014.

<sup>2</sup> United States Postal Service FY 2013 Annual Compliance Report (2013 ACR), December 27, 2013.

<sup>3</sup> Public Representative Comments, January 31, 2014; Public Representative Reply Comments, February 14, 2014.

Report).<sup>4</sup> The Performance Plan and Report and Comprehensive Statement are filed with the Commission pursuant to 39 U.S.C 3652(g) and the Commission's Rules. 39 C.F.R. 3050.43.

The Comprehensive Statement provides to the Committee on Governmental Affairs of the Senate and the Committee on Government Reform of the House of Representatives an annual statement addressing postal operations. Broadly, the Comprehensive Statement must include information on mail volumes, productivity, speed and reliability of its product base, and an analysis of how internal and external factors impact the Postal Service.<sup>5</sup>

The PAEA mandates that the Commission shall annually review the Postal Service's section 2803 Performance Plan and section 2804 Performance Report to "evaluate annually whether the Postal Service has met the goals established under sections 2803 and 2804." 39 U.S.C. 3653(d) styled "Review of performance goals."

In addition, and significantly, section 3653(d) adds that the Commission "may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [title 39]. *Id.*

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<sup>4</sup> The Comprehensive Statement, Performance Report and Performance Plan are included in the document that is library reference USPS-FY13-17 in this proceeding. USPS-FY13-17 consists of the 2013 Annual Report to Congress (Annual Report) which includes the FY2013 Annual Performance Report and FY2014 Performance Plan at pages 39-43 and the Comprehensive Statement at pages 44-74.

<sup>5</sup> 39 U.S.C. 2401(e) requires "a comprehensive statement" relating to the following matters: (1) the plans, policies, and procedures of the Postal Service designed to comply with all of the provisions of section 101 of this title; (2) postal operations generally, including data on the speed; and reliability of service provided for the various classes of mail and types of mail service, mail volume, productivity, trends in postal operations, and analyses of the impact of internal and external factors upon the Postal Service; (3) a listing of the total expenditures and obligations incurred by the Postal Service for the most recent fiscal year; for which information is available, an estimate of the total expenditures and obligations to be incurred by the Postal Service during the fiscal year for which funds are requested to be appropriated, and the means by which these estimated expenses will be financed; and (4) such other matters as the committees may determine necessary to ensure that the Congress is fully and currently consulted and informed on postal operations, plans, and policies.

These Comments discuss previous Performance Plans and Performance Reports, offer general observations on the current filings, discuss the Postal Service's lack of compliance with specific Commission requests for improvements, and point out the inadequate use of strategic initiatives as measures of performance. Last, pursuant to § 3653(d), regarding objectives of title 39, the Public Representative suggests that the Commission request a Postal Service study and explanation of its results regarding the potential expansion of advertising on or in Postal Service assets, particularly buildings and vehicles, as a source of significant additional revenue.

#### B. Requirements of Sections 2803 and 2804 of title 39

Section 2803 lists six types of detailed information that shall be part of the Performance Plan and included in the Comprehensive Statement required by section 2401(c) of title 39. In summary, the Postal Service is to prepare an annual performance plan:

- Covering “each program activity set forth in the Postal Service budget.” The performance Plan shall establish performance goals to define the level of performance to be achieved by a program activity; § 2803(a)(1);
- With goals expressed in an objective, quantifiable and measureable form unless the Postal Service decides to report in an alternative form as prescribed by section 2803(b), § 2803(a)(2);
- To Include a brief description of operational processes and resources required to meet performance goals, § 2803(a)(3);
- With performance indicators to measure relevant outcomes of each project activity, § 2803(a)(4);
- With a basis for comparing actual program results with performance goals, § 2803(a)(5); and
- Describe the means to verify and validate measured values, § 2803(a)(6).<sup>6</sup>

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<sup>6</sup> Program activities may be consolidated except major functions or operations may not be omitted or minimized. 39 U.S.C. 2803(c)

Each program activity in the budget is to have a performance plan under section 2803 with objective goals (targets) and performance indicators for each budget activity that are measureable in order to validly compare program results with goals.

The section 2804 Performance Report follows from the plan. Each Report shall, in summary:

- Set forth the performance indicators from the performance plan with program achievements compared to goals for that fiscal year, § 2804(b)(1);
- If performance goals are descriptive of minimally effective program results, they shall be described in relation to those categories and whether the performance failed to meet the criteria of either category, § 2804(b)(2);
- Include actual results for three preceding fiscal years, § 2804(c);
- Review success in achieving the performance goal, § 2804(d)(1);
- Evaluate the current performance plan relative to achievements in the year of the performance report, § 2804(d)(2);
- Explain why a goal was not met and plans and schedules for achieving the performance goal or why it may not be achievable and recommended action, § 2804(d)(3); and
- Include summary findings of program evaluations, § 2804(d)(4).

### C. Commission Role

The Commission's role is first to ensure the Postal Service's section 2803 Performance Plan has provided the required information. Second, it is to evaluate whether the Postal Service has met those goals established under sections 2803 and 2804 by comparing each performance indicator in a year against the performance target for that year. ACD2011 at 56. Third, in addition to determining whether there is compliance with sections 2803 and 2804, the Commission "may provide

recommendations to the Postal Service related to the promotion of public policy objectives set out in [title 39].” *Id.*, 39 U.S.C. 3653(d).

## II. COMMENTS ON FY2014 PLAN AND FY2013 REPORT

### A. Usefulness and Value of Plan and Report

The Performance Report focuses on only four major goals: Service, Customer Experience, Financial results, and Workplace environment together with annual measurement targets for each goal. Report to Congress at 39.

The substance of the entire 2013 Report and 2014 Plan fail to provide satisfactory measures of management success. Although small incremental improvements in actual performance year over year indicate some movement toward the goals, the target levels and the annual level of incremental improvement is very small. There is a certain degree of unease that these broad measures do not reflect real improvements toward meaningful goals for the Postal Service as an institution. For instance, how do these goals and measurements compare with measures of management performance in other institutions or industries, or commercial enterprises? Do the targets actually represent good management goals?

The Postal Service’s story appears to be one of contraction or, at best marching in place rather than expansion and progress into new areas to provide the essential service of binding the nation together through the transportation and delivery of hard copy communications. For instance, the Office of the Inspector General surveyed customers about the extent they would be impacted if the Postal Service did not exist in five years. Comprehensive Statement at 47.

If Congressional committees are to utilize the reports and plans for oversight, the Performance Report and Plan should produce information by which decisions about the management performance and legislative obstacles can be rationally reached.

Although the Performance Plan and Report are specifically delineated on certain pages in USPS-LR-FY13, most of the relevant information on program activities is not within the Plan and Report, but is within the Comprehensive Report. At best, the presentation is confusing in the context of the requirements of sections 2803 and 2804. It fails to provide an ordered performance report of the results of the Postal Service's program activities compared to its Performance Plan as directed by sections 2803 and 2804. The activities cannot be related back to the four performance goals, nor can they be specifically identified as strategic initiatives even though they appear to be related to the various performance goals.<sup>7</sup>

The Performance Report conveys measures of activities and a few comparisons with prior years in textual format. The Comprehensive Statement (not the Performance Report) provides an assembled laundry list of actions taken during the year without presenting yardsticks for measures of success for each program. The list of management actions runs for several pages in the Comprehensive Statement, pages 46-73. For instance, in the Comprehensive Statement, the general heading of Operations includes details on the transition to the IMb barcode, retail access, mail preparation and addressing and acceptance, scanning, transportation costs, facilities management, delivery and total factor productivity, with some data, but it is difficult or impossible to measure and compare performance against plan generally. *Id.* at 46-54.

Other general areas of discussion of management initiatives include Customer programs, *Id.* at 54-58, Product development, *Id.* at 58-63, Workplace initiatives, Managing Change, *Id.* at 66-67, as well as other miscellaneous areas including Resources and support supply management, *Id.* at 68, Research and development, *Id.*

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<sup>7</sup> Again this year, the Postal Service notes there is additional detailed information on key corporate goals and strategic initiatives in the FY 2013 Comprehensive Statement included in the Annual Report as part of the same document. Combined Report at 37. At the same time, the Postal Service points to additional programs activities and operational results on its website, but specifically states the information is *not* part of its §§ 2803 and 2804 Plan and Report. *Id.* at 38.

at 68-69, Corporate social responsibility, *Id.* at 69-73. Each presumably represents a budget item, but few include measures of success or future targets. Nor do they include many indicators as measures of accomplishment toward performance goals. While the list is interesting in its breadth, the overall success of the programs in meeting the Postal Service's goals is not presented and without performance indicators, future results cannot be used to measure success in meeting performance goals.

The activities described are significant and their relationship to the performance goals and the Postal Service's failure to tie them together or to offer measures for success should be evaluated by the Commission. For instance, in FY 2012 the Postal Service claimed that strategic initiatives were not subject to review as part of the §§2803 and 2804 documents, but the Commission agreed with the Public Representative that the Commission does review those indicators for compliance. 2012 ACD at 45.

#### B. 2012 ACD Directives and 2013 ACR Response

In the 2012 ACD, the Commission found that the Postal Service's ACR2012 met the requirements of section 2803 but did not "[cover] each program activity set forth in the Postal Service budget...". 2012 ACD at 36. With respect to the Corporate Responsibility goal, the Postal Service failed to meet specific requirements in section 2803 for detailed information. The FY 2012 Performance Report pursuant to section 2804 satisfied its requirements except for targets and results for performance indicators supporting the Corporate Responsibility goal. *Id.* at 37.

This year's ACR2013 report also fails to provide information for each program activity set forth in the Postal Service budget. The Postal Service has dropped its Corporate Responsibility goal and instead has inserted Customer Experience as a 4<sup>th</sup> Performance Goal. The measures of performance for the new Customer Experience goal are the results of Small/Medium Business and Residential surveys that last year were included as part of the Service Performance measures. The Residential survey

results are discontinued after FY 2012, leaving only Small/Medium Business as a measure in FY 2013 of the Customer Experience goal.<sup>8</sup> Large business experience surveys are also omitted from the measurement goal. The Postal Service explains that due to the small sample size at the District level, the results are not used in the National Performance Assessment (NPA) Corporate wide measurement goal.<sup>9</sup>

A review of the Commission's 2012 ACD directives to the Postal Service and the Postal Service's response in the 2013 ACR is a useful starting point.

#### 1. In General

- The 2012 ACD determined that Future Annual Performance Reports and Plans should provide explanations for any deletions. 2012 ACD at 35.

The Performance Report and Performance Plan include some deletions without explanation. For instance, as discussed below, the strategic indicators were revised significantly and deletions were not explained. Nor is the deletion of last year's fundamental goal, Corporate Responsibility, explained.

#### 2. FY 2014 Performance Plan

- In previous years, the FY 2013 Plan did not [cover] each program activity set forth in the Postal Service budget. See 39 U.S.C. 2803(a.), *Id.*

The Postal Service has again failed to follow this statutory mandate. There is no pretense to refer to budgeted program activities as a source for the FY 2014 plan.

- The Corporate Responsibility performance goal (one of four goals presented) did not meet the requirements of section 2803(a)(2, 5 and 6). *Id.* In particular, the Corporate Responsibility goal was not expressed in an "objective, quantifiable, and measureable form" nor was an alternative form used. *Id.* at 37.

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<sup>8</sup> As of October 2013, the Postal Service no longer collects Residential and Small/Medium Business data. Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 10 (CHIR No. 10), Question 4(d).

<sup>9</sup> Response to CHIR No. 10, Question 1.

In the 2013 ACR, the Postal Service removed last year's Corporate Responsibility performance goal of universal service and other obligations and instead has spun off performance indicators from last years' Service goal to form the "Customer experience " goal with a measure of Small/Medium Business experience.<sup>10</sup> There is no explanation for the change.

### 3. FY 20113 Performance Report

- When performance goals are not met, the Report should explain why the goal was not met and what action the Postal Service recommends for achieving the performance goal in future years. *Id.* at 37.

In one case, the Performance Report did not cite to reasons for not meeting the measures for its performance goals, but it does indicate the actions it is taking toward achieving the performance in future years. Of the few measures of performance goals that were not met, in some cases the Postal Service explained why the performance goals were not met, but it did not explain the reasons in other cases. For the Service goal, single-piece First-Class Mail overnight and three-to-five-day and Presort First-Class overnight did not meet targets and the Postal Service offered explanations. *Id.* at 40. For the Customer experience goal, the Small/Medium Business target was not met, and no explanation for the shortfall was offered. For the Financial results goal, the failure to meet the deliveries per hour target measure is explained. *Id.* at 42. One measure of Workforce environment success, Voice of the Employee, was not met. The reasons for the failure to meet the voice of the Employee are not explained. Combined Report at 42.

Thus, overall, the Postal Service failed to provide reasons for failing to meet two of its performance measures, the Small/Medium Business measure of Customer

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<sup>10</sup> Another performance measurement ostensibly included for this customer experience goal is Residential experience, but it has no figures for FY 2014 and beyond. The Postal Service's note explains that overall customer experience scores are not available for FY2009 and beyond due to redesign of the measurement survey for FY2010. *Id.* at 39 n. 3.

Experience and its Voice of the Employee measure for the Workplace environment goal. While the Postal Service does not specifically state what actions it recommends for achieving these performance goals in future years, the Postal Service lists actions it is taking to improve the measures in the future. For the Small/Medium Business experience measure, it is reviewing complaint handling, promoting employee awareness to improve customer experience and identifying post offices where customer experience can be improved with management web training to use diagnostic reports. *Id.* at 40. For the Voice of the Employee percentage measure, the Postal Service is implementing internship and mentoring programs and innovative training strategies to use new technologies. *Id.* at 42.

C. Provisions of Sections 2803(a) and 2804(d)(3) Are Not Met

The Public Representative believes that the Annual Performance Plan and Report prepared by the Postal Service for FY 2013 has again *not* met the requirements of 39 U.S.C 2803(a) to cover “each program activity set forth in the Postal Service budget[.]” 39 U.S.C. 2803(a). Similarly the Commission found in the 2012 ACD that the Postal Service Plan failed to meet the requirements to cover each program set forth in the budget. 2012 ACD at 36.

The Postal Service is required to provide an in-depth explanation of the innovative strategies it employs and tie those into its goals. Under section 2804, the Postal Service is required to report its review and evaluation of its achievements towards its performance goals during the fiscal year and explain why goals were not met, as well as plans for meeting those goals. The Postal Service has again presented only a few measures for four performance goals. Combined Report at 39. It also includes a brief textual review of initiatives undertaken during FY 2013 with general reference to their progress or results without establishing any, or minimal, number of targets or baselines by which to measure the performance. *Id.* at 45-73.

In the ACD2012, the Commission found that the Postal Service's report reduced the amount of detail about its performance goals, indicators and strategic initiatives reported in prior years. The Commission recommended in the ACD2011 that future annual performance reports, plans and strategic initiative descriptions should at a minimum contain information detailed in the 2010 Comprehensive Statements on Postal Operations.

D. The 2012 Performance Report and Plan Continue to Fall Short.

In the 2013 Report and 2014 Plan, the Postal Service has continued three performance goals—Improve Service, Improve Financial results, and Workplace environment. Combined Report at 39. These were evaluated with eleven performance indicators with annual targets. *Id.*

1. Performance goal—Service

Service has not materially improved and arguably fallen significantly since 2006. Nationwide, deliveries are one day later than ever before. Service performance measures only two of four mail classes and First-Class shows improvement only because delivery standards, by any measure, were reduced significantly when one day was added to most service standards for First-Class Mail.

In its ACD2011, the Commission directed that three services, Express Mail, Priority Mail and Parcel Select, each previously included in the report for 2010, but eliminated in 2011 due to confidentiality concerns, should be provided under seal in the future. In addition, the Commission recommended adding service performance scores for other classes of market dominant mail, in future filings. ACD2011 at 57.

2. Performance goal---Customer experience

Customer Experience measures are broad statistical sweeps not easily improved and unlikely to change materially year to year and have been discontinued for Residential and Small/Medium business. CHIR #10, Question 4(d). Consequently, the

actual contribution by management toward the performance is not measured carefully enough to paint a realistic picture of management progress towards the Customer experience goal.

### *Customer Experience Measurement Survey*

The Postal Service reports, in tabular form, the percentage of residential, small/medium business and large business customers who were either very satisfied or mostly satisfied with market dominant classes of mail for FY2013 and FY2012. ACR FY2013 at 43. See also, USPS-FY-13-38. The Postal Service does not examine or draw conclusions from this data. It merely presents the data. Its presentation differs from its ACR FY2012, where, e.g., it stated that “[a]mong Residential and Small/Medium Business customers, satisfaction ratings increased, FY 2012 over FY 2011, for all products covered in the survey.”<sup>11</sup> ACR FY2012 at 36.

The Public Representative has compared the data presented by the Postal Service in each of its last three Annual Compliance Reports, and reached some meaningful observations. Tables 1 through 3 show the percentage of residential, small/medium business, and large business customers who were either very or mostly satisfied with their experience with market dominant classes of mail for FY2011, FY2012, and FY2013. The Tables also calculate the change in satisfied percentages from year-to-year, and over the last three years. The Tables confirm the Postal Service’s statement, quoted above, namely that between 2011 and 2012 residential and small/medium business satisfaction increased for every market dominant product. However, Large Business satisfaction declined for five of eight products, including First Class Mail.

Table 2 shows a substantial number of products with which customer satisfaction declined between 2012 and 2013. Residential satisfaction declined for four of eight

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<sup>11</sup> The report discusses the change in customer experience for each market dominant product for each of the 3 groups.

**Table 1**  
**Customer Satisfaction with Residential Market Dominant Products**  
**FY 2011 to FY 2013**

				Percentage Point Change		
Mail Class	2013	2012	2011	2011 to 2012	2012 to 2013	2011 to 2013
First-Class Mail	<b>94.67</b>	94.73	94.2	0.53	<b>-0.06</b>	0.47
SP International	<b>87.38</b>	87.54	86.63	0.91	<b>-0.16</b>	0.75
Standard Mail	<b>85.11</b>	84.84	84.07	0.77	0.27	1.04
Periodicals	<b>88.09</b>	87.96	86.97	0.99	0.13	1.12
SP Parcel Post	<b>89.87</b>	89.83	89.16	0.67	0.04	0.71
Media Mail	<b>89.32</b>	89.1	88.39	0.71	0.22	0.93
Bound Printed	<b>86.84</b>	87.17	86.22	0.95	<b>-0.33</b>	0.62
Library Mail	<b>87.77</b>	87.89	86.99	0.9	<b>-0.12</b>	0.78

**Table 2**  
**Customer Satisfaction with Small/Medium Business Market Dominant**  
**Products FY 2011 to FY 2013**

				Percentage Point Change		
Mail Class	2013	2012	2011	2011 to 2012	2012 to 2013	2011 to 2013
First-Class Mail	93.21	93.35	92.96	0.39	<b>-0.14</b>	0.25
SP International	84.27	84.93	83.86	1.07	<b>-0.66</b>	0.41
Standard Mail	87.95	87.92	87.09	0.83	0.03	0.86
Periodicals	85.92	86.14	85.07	1.07	<b>-0.22</b>	0.85
SP Parcel Post	88.81	88.88	87.93	0.95	<b>-0.07</b>	0.88
Media Mail	88.15	88.17	87.11	1.06	<b>-0.02</b>	1.04
Bound Printed	85.85	85.89	84.9	0.99	<b>-0.04</b>	0.95
Library Mail	86.33	87.06	85.9	1.16	<b>-0.73</b>	0.43

**Table 3**  
**Customer Satisfaction with Large Business Market Dominant Products**  
**FY 2011 to FY 2013**

				Percentage Point Change		
Mail Class	2013	2012	2011	2011 to 2012	2012 to 2013	2011 to 2013
First-Class Mail	91.12	91.16	92.1	<b>-0.94</b>	<b>-0.04</b>	<b>-0.98</b>

SP International	88.11	87.37	89.15	<b>-1.78</b>	0.74	<b>-1.04</b>
Standard Mail	86.05	85.68	85.57	0.11	0.37	0.48
Periodicals	83.27	84.88	84.26	0.62	<b>-1.61</b>	<b>-0.99</b>
SP Parcel Post	86.56	87.14	87.48	<b>-0.34</b>	<b>-0.58</b>	<b>-0.92</b>
Media Mail	86.51	85.89	86.67	<b>-0.78</b>	0.62	<b>-0.16</b>
Bound Printed	82.84	83.53	84.09	<b>-0.56</b>	<b>-0.69</b>	<b>-1.25</b>
Library Mail	88.22	87.04	86.79	0.25	1.18	1.43

Sources: ACR FY2011, ACR FY2012, ACR FY2013.

market dominant products between 2012 and 2013, including First Class Mail. Small/Medium Business satisfaction declined for all market dominant products except Standard Mail between 2012 and 2013; and Large Business satisfaction declined for four of eight market dominant products, including First Class Mail. Large Business satisfaction declined the most with respect to Periodicals.

The Postal Service made little, if any, improvement in customer satisfaction with market dominant products since FY 2012. These data, coupled with the relatively low customer experience measurement (CEM) score of 78.4 percent make clear the Postal Service's efforts to improve customer satisfaction by the close of FY2013 have not succeeded. Combined Report at 39.

The Postal Service should take this opportunity to determine whether additional efforts to improve customer satisfaction should be initiated in FY2014. Although the Postal Service uses answers to only four questions on the CEM survey to determine the annual CEM score, there are many questions that identify different mailing preferences, problems, and demographics. The Public Representative suggests the Postal Service examine the relationship between answers that identify these preferences and characteristics and the answers to the four questions used to construct the CEM score to improve its customer satisfaction this year.<sup>12</sup>

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<sup>12</sup> Although the Postal Service submits aggregated data for the answers to each of the questions on the CEM survey form in USPS-FY13-38, it should provide the data by completed survey so that others might examine these issues.

### 3. Performance goal—Financial

Management has progressed in meeting its financial goal with operating losses reduced to \$2.5 billion, measured without the Retirement Health Benefit Fund (RHBF) and other amounts.

In the ACR 2013, deliveries per workhour increased only slightly from 41.0 to 41.6, but did not make the target of 42.7. The target for FY 2014 remains aggressive at 43.3. As the Commission recommended, the Postal Service includes TFP in its report. ACR2012 at 36-7. TFP is a longer term measure of productivity and has increased steadily by just over 20 percent per year for the four years since 2009.

### 4. Performance goal---Workplace environment

The fourth performance goal to improve Workplace environment has indicators for the reduction of OSHA illness and injuries and a Voice of the Employee survey.

As for the Workplace environment goal, the survey does not focus on employee morale or views about management as it affects employees; rather it is based primarily on a few questions asked of a statistically significant proportion of employees, not about their own satisfaction, but whether they believe the Postal Service is doing a good job. See Survey Questions, 2012 Annual Report to Congress, USPS-FY12-17 at 37. It is impossible to determine whether the measure of success that shows improvement by a small two-tenths of a percentage point is anything more than within the margin of error.

The OSHA illness indicator met its 2013 target of 5.72 with an actual 5.61 rate, which was an improvement over 5.78 the year before (a 2.94 percent improvement). Combined Report at 42. The Postal Service cited reasons for improvement.

The target level for the Voice of the Employee, which is the average percent of employees responding favorably to eight questions, remained constant in 2013 at 64.7 percent and so did not meet the target of 64.9 percent. *Id.* at 39. In the 2012 ACD, the

Commission did not recommend any changes to the predecessor goal or to its indicators. *Id.* at 42.

Overall, the discussion of goals does not approach discussing performance for each budget program required by section 2803.

### III. STRATEGIC INITIATIVES

Strategic initiatives are to clarify the connection between performance goals and actions necessary to achieve them. 2012 ACD at 45, citing 2011 ACD at 49. Although not directly supporting performance goals, strategic initiatives are part of the Performance Report and Plan and are reviewed as part of the Commission's evaluation of whether the Postal Service has met its performance goals.<sup>13</sup> See 2012 ACD at 45,<sup>14</sup>

The Commission has stated that the Postal Service should illustrate the relationships between the strategic initiatives and performance goals and provide the results of indicators used to measure progress in meeting targets as well as the purpose of each strategic initiative. This information is needed to evaluate progress for each strategic initiative. ACD 2011 at 58.<sup>15</sup>

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<sup>13</sup> Strategic initiatives were introduced in the Annual Report filed by the Postal Service in ACR2010 to clarify the connection between performance goals and the actions needed to achieve them. ACD2011 at 49. Nine initiatives for three Performance Goals (Service, Financial and Workplace) and Results Indicators were first listed in the ACD2010 together with targets for the following year to assist in future evaluation. Unfortunately, the following report, ACR2011, provided less detail on strategic initiatives than the 2010 Comprehensive Statement. However, the Postal Service said that it expected the FY 2012 report to be more detailed.

<sup>14</sup> The nine strategic initiatives in the ACD2010 and ACR2011 were Intelligent Mail, Flats Sequencing System, Expand Access, Optimize Network, Flexible Workforce, Reduce Energy Use, Reduce Delivery Fixed Costs, Expand Products, Services, and Feature, and Address Overfunded Legacy costs. ACD2011 at 50.

<sup>15</sup> Where the Postal Service has not reported goals to meet the requirements of 2803(a), the Postal Service's reports may be measured against the more descriptive alternative requirements in section 2803(b). That is, it may describe a minimally effective program and a successful program to provide a range that will permit a determination whether the program activity's performance meets either criteria. The Postal Service must at least explain why it cannot express a performance goal for the activity. 39 U.S.C. 2803(b)(1)-(2).

The 24 Strategic initiatives provided in the FY 2013 Comprehensive Statement at page 67 are assigned to each of the four Performance Goals but otherwise appear to bear no, or very limited, relationship to strategic initiatives provided last year as listed in Table V-3 of the 2012 ACD at 44. Although these FY13 initiatives may better reflect the Postal Service's current strategic goals as the Postal Service explained last year when the change from prior years was noted, the Postal Service has not offered an explanation for the differences. See 2012 ACD at 44. Last year, the Postal Service provided a chart linking strategic initiatives from prior years, which the Commission appreciated. *Id.* at 46. The Postal Service was also requested to provide an explanation of any deletions in future Performance Reports and Plans. *Id.* The Postal Service has not linked this year's initiatives to prior years nor has it explained any deletions.

Most importantly, as it did last year, the Postal Service did not provide, until requested, cross-portfolio Performance Indicators including planned targets, actual results and FY 2013 variances for the year under review. Response to CHIR No. 10, Question 6, see 2012 ACD Table V-4 at 45. With that information last year, the Commission was able to conclude the Postal Service met the requirements of §§ 2803 and 2804 with respect to the strategic change initiatives. To insure compliance this year with those sections, the Postal Service was informed it should include in its FY 2013 ACR its FY 2013 target, FY 2013 results, and FY 2014 targets for each strategic change initiative performance indicator. The Postal Service did not comply until requested to provide performance metrics for FY 2013.<sup>16</sup>

The Postal Service is continuing to ignore statutory requirements to provide the detail needed to measure progress towards its announced goals. The management does not seem to be measuring its progress in several budget and program initiative areas.

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<sup>16</sup> Response to CHIR No. 10, Question 6. The Response includes a table listing Cross-portfolio Key Performance Metrics for FY 2013. There are no references to support the numbers in the table. For instance, the claim that actual new revenues for FY 2013 were \$5,069,494,234 is unsupported as well as the claimed total cost savings of \$872,106,981.

The Public Representative continues to be concerned with the limited amount of information presented for strategic initiatives in the Comprehensive Statement. The Postal Service's presentation of initiatives attempts to tie very loosely its strategic initiatives to performance goals, noting that in many instances they relate to more than one performance goal. Combined Report at 66. Moreover, there are no indicators with the initiatives to measure the progress in meeting targets toward accomplishing the performance goals.

Thus, the Report does not comply with the statutory requirement for a level of performance achieved for each program activity (§ 2803(a)(1)); does not express the goals in measureable form (§ 2803(a)(2)); does not describe the processes, etc. needed to meet performance goals (§ 2803(a)(3)); does not include indicators to access outcomes of each program (§ 2803(a)(4)); does not have a basis for comparing the program with performance goals (§ 2803(a)(5)); and does not describe the means to validate measured values (§ 2803(a)(6)). Nor has the Postal Service demonstrated reason to use an alternative form of statement (§ 2803(b)).

The Postal Service's report has scrapped the use of future targets for indicators for each strategic initiative to measure progress toward the performance goals required by section 2803. The report does not even attempt to provide the level of performance achieved by program activity as required by 39 U.S.C. 2803(a).

Alternatively, the Postal Service failed to comply with section 2803(b) by not describing the range for a minimally effective program and a successful program, nor does it indicate why it is impractical to express a performance goal in any form for the program activity. These descriptions are necessary for Congress (and the Commission) to determine progress toward performance goals.

#### IV. RECOMMENDATION FOR PROTECTION OR PROMOTION OF PUBLIC POLICY OBJECTIVES IN TITLE 39 PURSUANT TO 39 U.S.C. 3653(d)

While section 3653(b) specifies that the Commission shall make a determination of compliance for rates or fees or service standards, section 3653(d) is broader and authorizes recommendations relating to protection or protection of public policy objectives under title 39. Thus, discussion of ways to protect or promote the policy objectives of title 39 is appropriate in this review of compliance pursuant to section 3653.

As a part of its financial goal, Postal Service management seeks new products that customers desire and that will increase the revenue stream. The documents in the ACR do not indicate any initiatives to increase revenue through the development of new nonpostal products within the ambit of authorized nonpostal services. This is one area that is notable by its omission in the Postal Service's plans and reports—at a time when public debate often centers on new Postal Service activities that might generate income to ease its financial distress. The Postal Service has not mentioned any management studies or initiatives that considered potential new areas of non-postal business. The Public Representative suggests that the Commission recommend the Postal Service include as a budgeted activity the study and dissemination of the results, and, if favorable, to undertake an initiative for a potential source of significant revenue related to the nonpostal service products of advertising or of leasing its assets for advertising.

For instance, the Inspector General of the Postal Service has studied recently the potential for additional revenue by offering non-bank financial services to persons not now using traditional banking services.<sup>17</sup> Although legislation would be necessary to permit the Postal Service to offer those types of banking services, no such impediment prevents the Postal Service from marketing its approved nonpostal advertising products.

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<sup>17</sup> United States Postal Service, Office of Inspector General, White Paper: Providing Non-Bank Financial Services for the Underserved, January 27, 2014, [www.uspsaig.gov/sites/default/files/document-library-files/2014/rarc-wp-14-007.pdf](http://www.uspsaig.gov/sites/default/files/document-library-files/2014/rarc-wp-14-007.pdf)

An area the Postal Service apparently has not studied recently is the leveraging of its physical assets by exercising its current authority to offer actively its authorized nonpostal products of advertising or of leasing advertising space on its physical property and thereby potentially generate significant advertising revenues. The authority to lease advertising space on the Postal Service's property was approved by the Commission in 2008 when it found a public need for that non-postal product—the service of a leasing space on its physical assets for advertising.<sup>18</sup> No additional legislation would be needed for the Postal Service to provide this advertising service.

Subsequently, the Postal Service requested, and the Commission approved, Mail Classification Schedule (MCS) language for products of authorized nonpostal services. It requested separate products for advertising by the Postal Service on behalf of others and for leasing physical space on or in Postal Service property for others to advertise in the space.<sup>19</sup> Among other arguments in support of extending its advertising to other Postal Service venues was that it would “give management flexibility or allow efficient utilization of resources.” Order No. 1575 at 14.

Logic suggests that the sale of advertising space on the Postal Service's approximately 190,000 delivery and collection vehicles, 5,850 tractors and trailers, and 2,145 mail transports could provide space for advertising. Combined Report at 51. In addition, the Postal Service owns 8,598 properties and leases 23,814 others. Combined these properties have 275,000,000 square feet of interior space. *Id.* at 55. Although some of these properties may be land or buildings not suitable for the sale of advertising space, the number suggests many post offices would have space available for advertising.<sup>20</sup> Moreover, unlike personal banking, there are no other stakeholders

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<sup>18</sup> Docket No. MC2008-1, Review of Nonpostal Services (Order No. 154), December 19, 2008 at 66-68, ..

<sup>19</sup> Docket No. MC2010-24, Order Approving Mail Classification Schedule Descriptions and Prices for Nonpostal Service Products, December 11, 2012 (Order No. 1575) at 13-15, 17-18, 20; Appendix B at 5 (Advertising) and 11 (Rental, Leasing, Licensing or other Non-Sale Disposition of Tangible Property).

<sup>20</sup> Advertisers can utilize floor space as well as wall space. For a time, Pitney Bowes advertised in the floor space of post offices. *Id.* at 67.

with major vested interests that would naturally object to the Postal Service actively marketing these products.

The Public Representative's purpose is not to take a position on the feasibility, viability or desirability of placing advertising on the Postal Service's assets; rather it is to note that a potentially large source of revenue does not appear to have been seriously analyzed and reported by the Postal Service, nor is there any evidence that potential revenues have been estimated and, if rejected, that expanding the service has been formally considered and rejected by senior management. At a time when other services in great demand are being cut back such as Saturday delivery or delivery times, this potential source of revenue ought to at least be studied and opened for public debate as one alternative to service cutbacks now or in the future.

Apparently, the OIG has not studied this area in depth either. A review of the OIG website reveals only a brief question hosted by the OIG's Risk Analysis Research Center (RARC) which provides a forum to discuss the Postal Service. On November 30, 2009, the forum raised the possibility of advertising, but noted "The Postal Service actually explored selling advertising space around 2001 in a program called the Postal Ad Network, but it was discontinued after it raised much less money than initially expected." No other background on that program is provided, but it is worth noting the program preceded the PAEA and the financial difficulties of the Postal Service as well as the authorization by the Commission to provide nonpostal advertising services.

The OIG website asked whether selling space to advertisers to generate extra income would be worth it and what kind of increased revenue would an advertising program bring? There were about 33 replies, some thoughtful, but only offering opinions on the questions. This appears to be the most serious recent effort to study the issue by the Postal Service.

The Public Representative therefore requests the Commission, as part of its obligation under section 3653(d), to recommend for the promotion of the policy objective

of ensuring adequate revenues and maintaining financial stability that the Postal Service undertake an analysis to provide for public debate on the revenue potential as well as disadvantages of offering advertising space on, and within, its assets.

## V. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

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Public Representative

Public Representative Team  
On FY 2014 Performance Plan  
and FY 2013 Performance Report

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